

STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of Green Mountain Power)	
Corporation, Vermont Electric Cooperative, Inc.)	
and Vermont Electric Power Company, Inc. for a)	Docket No. _____
Certificate of Public Good pursuant to 30 V.S.A. §)	
248, to construct up to a 63 MW wind electric)	
generation facility and associated facilities on)	
Lowell Mountain in Lowell, Vermont and the)	
installation or upgrade of approximately 16.9 miles)	
of transmission line and associated substations in)	
Lowell, Westfield and Jay, Vermont)	

PREFILED TESTIMONY OF
MARY G. POWELL
ON BEHALF OF GREEN MOUNTAIN POWER CORPORATION

May 21, 2010

Summary of Testimony

Ms. Powell's testimony describes the benefits of the proposed Kingdom Community Wind investment for Green Mountain Power customers; the benefits to the Town of Lowell and the surrounding communities; the importance of this generation addition to the Green Mountain Power's supply portfolio and how this investment complements the Company's long-term energy strategy. In addition, Ms. Powell discusses how this project is demonstrating new strategies for utilities and other energy developers who wish to build wind projects in Vermont.

**PREFILED TESTIMONY OF MARY G. POWELL
ON BEHALF OF
GREEN MOUNTAIN POWER CORPORATION**

1 **1. Q. What is your name and business affiliation?**

2 **A.** My name is Mary G. Powell and I am President and Chief Executive Officer for
3 Green Mountain Power Corporation (“Green Mountain Power” or the “Company”), 163 Acorn
4 Lane in Colchester, Vermont.

5

6 **2. Q. Please describe your business experience?**

7 **A.** I joined Green Mountain Power in 1998 as Vice President of Human Resources
8 and was promoted to Chief Operating Officer in 2001 and then to President and Chief Executive
9 Officer in 2008. Prior to joining Green Mountain Power, I served as Senior Vice President of
10 Community Banking for Key Bank in Vermont, worked in Vermont state government for three
11 years when I first came to the state and, before moving to Vermont, worked for The Reserve Fund
12 in New York City as the Associate Director of Operations.

13

14 **3. Q. Have you testified before the Vermont Public Service Board?**

15 **A.** Yes. I previously filed testimony in the Company’s rate case, docket number
16 7175 and the acquisition case of the Company by Northern New England Energy Corporation,
17 docket number 7213.

18

19 **4. Q. What is the purpose of your testimony?**

1 **A.** I describe the benefits of the proposed Kingdom Community Wind investment for
2 our customers; the economic benefits to the Town of Lowell and the surrounding communities;
3 the importance of this generation addition to the Green Mountain Power's supply portfolio and
4 how this investment complements our long-term energy strategy and, finally, why this project is
5 demonstrating new strategies in how utilities and other energy developers can build wind
6 projects in Vermont.

7
8 **5. Q. Please describe why Green Mountain Power wants to build Kingdom**
9 **Community Wind?**

10 **A.** Green Mountain Power is pursuing the Kingdom Community Wind project to
11 deliver on our promise to our customers to deliver an energy future that is low carbon, cost
12 effective and incredibly reliable. We made that promise to our customers when we developed
13 our energy strategy in 2008, which was based on what we heard loud and clear from surveys,
14 news reports and the Department of Public Service's and the Legislature's deliberative polling
15 process – Vermonters want us to develop meaningful renewable energy and they care about cost.
16 Vermonters also have told us they want projects that are developed in, and tied to, Vermont. Our
17 strategy involved embracing relicensing of Vermont Yankee, but then ramping down our
18 dependence while we ramped up cost effective renewable energy sources. We also included
19 developing a strategic relationship with the Province of Quebec whereby we can utilize its large
20 scale renewable resource to provide the backbone for our renewable energy development here in
21 Vermont.

1 In our quest to ramp up renewable energy, we found that while small renewable projects are an
2 important part of our communities, we also needed to also develop cost-effective utility-scale
3 projects. But we wanted to find a way to avoid paying the highest prices that the market would
4 bear. Our analysis showed us that by simply shifting some of our portfolio focus back to what
5 we “own” versus what we “rent” through power purchase agreements, we had a much better shot
6 at delivering renewable energy cost effectively for our customers. Simply put, it is the “own
7 versus rent” analogy. For example, our hydro units are some of our lowest cost sources because
8 someone a long time ago had the foresight to build the hydro units. Now that they are paid off
9 and only require annual maintenance and capital improvements, we get a cost of power which is
10 roughly around 3 cents per kwh. I will provide more detail of this “own vs. rent” concept later in
11 my testimony. Purchase Power Agreements (PPA) will continue to be an important part of how
12 we achieve our quest for renewable energy in the portfolio but, simply put, we feel that owning
13 the asset on behalf of our customers presents a very compelling long term value proposition.

14
15 **6. Q. Please describe in more detail Green Mountain Power’s Energy Strategy?**

16 **A.** Green Mountain Power is seeking approval for the Kingdom Community Wind
17 project because it is an integral part of the Company’s energy strategy that was announced in
18 2008. Our strategy is based on three principal components: Cost, Carbon and Reliability.

19
20 The goal was to devise an energy future for Green Mountain Power that would maintain the
21 Company’s current competitive price advantage in New England with the low carbon profile that
22 we now enjoy. At the same time, the energy strategy encourages the maximum use of cost-

1 effective efficiency programs and demand response to reduce load growth. The strategy also
2 includes reducing our reliance over time on base-load power and energy that we obtain from
3 Vermont Yankee while continuing – and perhaps even increasing over time-- the amount of base
4 load power and energy that we purchase from Hydro-Quebec and other large hydro facilities.

5
6 As this Board knows well, the future of Vermont Yankee, Vermont's 38-year old generation
7 station on the Connecticut River, is still to be determined. On the other hand, our efforts to
8 secure another long-term contract with Hydro-Quebec reached an important milestone on March
9 11, 2010 when Governor Douglas and Quebec Premier Charest, along with Green Mountain
10 Power, Hydro-Quebec and Central Vermont Public Service Corp., signed a Memorandum that
11 included the business terms for a new 26-year contract commencing in 2012. The power and
12 energy final contractual terms are now being negotiated for final agreement by mid-year. The
13 new Vermont/Hydro-Quebec Purchase Power Agreement then will be submitted to this Board
14 for its consideration and decision.

15
16 Finally, Green Mountain Power's energy strategy called for building and owning new renewable
17 generation because, as I said earlier, it offers the long term value for customers and cost-effective
18 power and energy.

19
20 **7. Q. Please describe Green Mountain Power's interest in wind generation.**

21 **A.** Green Mountain Power has long had an interest in wind generation. Long before
22 I joined the Company in 1998, Green Mountain Power employees in the 1970s began exploring

1 alternative forms of energy and investigated whether wind generation could be built on Lincoln
2 Mountain in Lincoln.

3
4 The project was abandoned after it became clear that the community did not favor the location of
5 wind turbines. Green Mountain Power's early experience with wind generation in Lincoln in the
6 1970s in Vermont was a harbinger of things to come over the efforts to build utility-size wind
7 generation in Vermont.

8
9 For Green Mountain Power, it imprinted on us that if you desire to be successful you need to
10 secure community support for siting and building utility size wind projects. This key learning
11 led Green Mountain Power in the mid-1990s to secure community support before it launched a
12 project to build in Searsburg, the first-ever utility sized wind generation farm east of the
13 Mississippi River. This important project, which was commissioned in 1997, is still generating
14 clean energy every day for Green Mountain Power customers. Prior to the decision to select
15 Searsburg, the Company also explored other sites in southern Vermont, including Manchester,
16 before choosing Searsburg.

17
18 **8. Q. How did Green Mountain Power get interested in the Kingdom Community**
19 **Wind Project?**

20 **A.** The Kingdom Community Wind opportunity came about as a Lowell landowner,
21 Trip Wileman, was interested in developing a ridge line on a mountain he owns in that Orleans
22 County community for wind generation. Over time, Mr. Wileman decided that developing wind

1 was better left to those who had previous experience, so he entered into a long-term agreement
2 with Green Mountain Power to develop the renewable energy project.

3
4 **9. Q. Please describe the Company's review process.**

5 **A.** After our review, Green Mountain Power's Board of Directors in 2008
6 authorized the Company's management to explore the feasibility of investing in a wind farm in
7 Lowell. This effort resulted in an extensive analysis of the project:

8
9 Our team looked at the following:

- 10 1. Did the project screen from an economic perspective?
- 11 2. Was there community support to build it in Lowell?
- 12 3. Were there environmental "show stoppers"?
- 13 4. Were there regulatory and public policy reasons that would guide us on
14 whether we should pursue the project?
- 15 5. Were there lessons to be learned from other wind developers in
16 Vermont?
- 17 6. Could we do this project with another utility partner, specifically Vermont
18 Electric Co-op?
- 19 7. Have we explored all the risks and whether we had a solid plan to mitigate
20 identified risks?
- 21 8. How would this project help to meet our energy strategy goals?

22

1 **10. Q. Were there other policy considerations?**

2 **A.** Yes. Another important consideration was the policy direction of the State of
3 Vermont and its efforts to incent and encourage the use of renewable energy. For Green
4 Mountain Power, the enactment of the SPEED Law in 2005 and the Standard Offer Program in
5 2009 were clear policy directions and an unmistakable message: Vermont wants more renewable
6 energy for customer use, and all reasonable projects that meet common sense customer and
7 financial goals should be pursued.

8

9 **11. Q. Describe your conclusion after these reviews and policy considerations.**

10 **A.** As I said in the opening of this testimony, after that review and consideration I
11 stand before you today to ask your support for this petition for a Certificate of Public Good
12 permit for the construction of up to 21 turbines over 3.2 miles of ridgelines on Lowell Mountain,
13 which will generate up to 63 megawatts (MW) of installed capacity. This wind farm will
14 generate roughly seven percent of Green Mountain Power's energy requirements, and up to 8
15 MW of output will be sold to VEC per a cost-based power purchase agreement.

16

17 The environmental reviews we conducted convinced us that there were no "show stoppers." If
18 there had been, we would have stopped the project.

19 More importantly, was the community response. We stated upfront that if a majority of voters in
20 Lowell did not want us to build in their community, we would cease all efforts.

21

The vote at the March 2, 2010 Town Meeting in Lowell could not have been more convincing to us that we were wanted, when after a 78 percent voter turnout, 75 percent of the voters said “yes” to the project. I believe this is the most resounding community support yet for a Vermont wind project. Since that vote, Green Mountain Power and the Selectboard have signed an agreement on property taxes to be paid as well as setting forth other commitments to the community, for example, on the use of local and regional labor, the use of the town roads, as well as to the maximum extent possible, a regional labor supply.

12. Q. Why is Green Mountain Power proposing a Good Neighbor Fund for communities surrounding Lowell?

A. Vermont is a small state, one in which we care about our neighbors. In many issues facing the state, such as health care and budget decisions, the broader community shares in the benefits and drawbacks. This is not necessarily the case in power generation. I have long felt that any large generation project ought to benefit the larger community in more ways than simply power supply. Although GMP and VEC customers in the region benefit from the cost-effective, renewable generation they will receive from Kingdom Community Wind, I feel strongly that neighboring towns to the project should share some of the direct economic benefit, in addition to Lowell’s tax benefit. As a result, we are proposing to create the Good Neighbor Fund for towns within five miles of the project.

The inspiration for this comes from the Northeastern Vermont Development Association’s 2005 Regional Plan for the Northeast Kingdom. In its discussion of wind energy, the plan requests the

1 PSB to consider “A weighing of the potential benefits as well as negative impacts on not only the
2 host town but other impacted towns, including a possible outline of tax payment benefits to
3 impacted towns.”

4
5 It has become clear to us that public acceptance is critical to the development of wind in
6 Vermont, and that regional planners expect benefits to extend beyond the boundaries of the host
7 town. By creating the Good Neighbor Fund, we recognize that people living near the project, but
8 not in Lowell, should benefit from the siting of this project in their region. In his testimony,
9 Robert Dostis will present details of our plan for the Good Neighbor Fund and why we believe it
10 is an important feature of the project.

11
12 **13. Q. Please describe in greater detail why Green Mountain Power wants to invest**
13 **in this project rather than just buying wind from a PPA from another developer.**

14 **A.** Green Mountain Power is pursuing both strategies. As you know from docket
15 number 7589 (Granite Reliable Power), which is now pending before this Board, we are seeking
16 to also buy wind generation from other developers through a conventional power purchase
17 agreement.

18
19 **14. Q. Why is it important for Green Mountain Power to build renewable**
20 **generating projects as opposed to just relying on purchase power agreements?**

21 **A.** Quite simply, the economic analysis we have done has shown that it is more cost
22 effective for customers to “own” rather than “rent.”

1 **15. Q. Please describe in greater detail.**

2 **A.** I look at our Green Mountain Power-owned small hydro plants as a relevant
3 example for this line of thinking. Many years ago, the Company made decisions to build hydro
4 electric facilities on rivers in our service area. The capital costs for many of these plants have
5 long since been amortized and other than paying for annual maintenance and taxes, these dams
6 continue to produce very low-cost energy for our customers. Typically, purchase power
7 agreements are for a 10-25 year term. Once these contracts expire, there is no “equity” left as
8 there is in a power generation unit that we own and that still generates electricity by using the
9 “free fuel” —such as water or air—for our customers. Obviously, like hydro units, wind farms
10 offer an opportunity to re-power in the future once the permit life is expired. Re-powering is a
11 very attractive option because the infrastructure -- roads, transmission lines to get the power
12 down from the mountain, substations, are all in place for re-use.

13

14 There is also another basic economic reason for owning rather than renting a generation source,
15 as it provides an opportunity for our investor to grow earnings in a way that benefits our
16 customers by bringing them cost-effective, renewable electricity. This is important if we are to
17 incent and encourage other generation and transmission projects in Vermont.

18

19 **16. Q. Do you have a closing statement?**

20 **A.** I want this Board to know of the passion the team at Green Mountain Power has
21 about our work to develop a new energy strategy for our customers. Our commitment to cost,
22 carbon and reliability drives the Company’s efforts to build wind generation in Vermont. It is

1 not for the faint of heart, but lowering our carbon emissions and meeting customer expectations
2 is worth it. I hope you all agree.

3

4 **17. Q. Does that complete your testimony?**

5 **A.** Yes it does.

6